



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## Internal Audit Department

### Audit Report

#### Parks and Natural Resources Department Recreation Division Cash Controls Audit

As of June 30, 2016

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May 5, 2017

Audit No. 21610600

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

PARKS AND NATURAL RESOURCES DEPARTMENT  
RECREATION DIVISION CASH CONTROLS AUDIT

A U D I T   R E P O R T

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INTERNAL AUDIT DEPARTMENT

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RECREATION DIVISION CASH CONTROLS AUDIT

**A U D I T   R E P O R T**

The Internal Audit Department has performed an audit of the cash controls of the Parks and Natural Resources Department's Recreation Division for the period July 1, 2015, through June 30, 2016. The audit was performed in accordance with generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, and the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

**BACKGROUND:**

The Recreation Division provides recreational opportunities to Manatee County residents and visitors by implementing and coordinating aquatic and athletic activities, youth camp programs, and special events throughout the County. These services are funded, in part, through the collection of user fees which are intended to cover all, or a portion, of the costs of the programs. The user fee schedule is approved by the Board of County Commissioners.

User fees are collected at the G.T. Bray Recreation Center and at the off-site aquatic centers; fees can also be paid online. The Recreation Division utilizes RecTrac, a recreation management software program, to process customer payments.

**PURPOSE/OBJECTIVES:**

The audit objectives included verifying the following:

- Cash received by the Recreation Division was properly supported and accounted for.
- The Recreation Division's controls were adequate to ensure that cash was properly safeguarded from loss or misappropriation.
- The Recreation Division was in compliance with the Parks and Natural Resources Department's cash handling policies and procedures.

**SCOPE:**

The audit included verifying on a test basis that cash received by the Recreation Division was properly supported and accounted for during the period July 1, 2015, through June 30, 2016.

**METHODOLOGY:**

Internal control evaluations and tests of compliance were accomplished through discussions with Recreation Division management and staff, as well as substantive testing of individual controls. Risk analysis was used to establish the priorities of the audit objectives.

**IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:**

No indications of irregularities, abuse, or illegal acts were discovered during the audit of the Recreation Division’s cash controls for the period ending June 30, 2016.

**TEST OF COMPLIANCE:**

Internal Audit tested compliance with relevant policies and procedures of the Recreation Division. Tests performed were limited to the specific areas included in the Purpose/Objectives section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. The results of these tests are included in this audit report.

**STATEMENT ON INTERNAL CONTROL STRUCTURE:**

In planning and performing the audit of the Recreation Division’s cash controls for the period ending June 30, 2016, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report on data consistent with management’s intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we did not note any matters involving significant internal control weaknesses.

**MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:**

A Management Action Plan has been provided for each Area for Improvement identified. Management Action Plans are corrective actions with implementation dates developed in cooperation with the management team of the Parks and Natural Resources Department and the Internal Audit Department. The management team included Charlie Hunsicker, Department Director; Danny Hopkins, Recreation Division Manager; Michelle Richardson, Facility Operations Manager; Marcus Francis, Athletics Recreation Supervisor; Matt Porter, Aquatics Recreation Supervisor; Carrie Kelley, Fiscal Services Manager; and Sally Dillard, Fiscal Analyst.

**MANAGEMENT SUMMARY:**

The Recreation Division collected approximately \$1,500,000 in user fees during the one-year audit period ending June 30, 2016. This included fees such as gym memberships, facility rentals, youth camps, athletic classes, pool fees, and special events. We tested funds collected in person by performing unannounced cash counts at the G.T. Bray Recreation Center and the two offsite pools, and we tested funds collected electronically by reconciling online and ACH payments. We also reviewed documentation supporting revenue for the Division's recreation, aquatic, and athletic services to ensure that funds collected were properly recorded and deposited. Through interviews and review of policies and procedures, we analyzed the internal controls surrounding the Division's cash handling processes. Overall, our audit found that proper documentation existed to support cash payments received by the Division and we noted no evidence of missing funds; however, we did identify the following areas where improvements could be made:

- Sales tax was not calculated or collected in accordance with Florida Department of Revenue (DOR) sales tax rules. As a result, the proper amount of sales tax was not always remitted to the DOR. This occurred when sales tax was rounded to the nearest penny, rather than using the DOR's bracket system. In addition, the Recreation Division was not remitting sales tax based on the actual amount collected for each individual sales transaction, but was recalculating the amount due based on the total sales for each day. The Management Team through its Management Action Plan will establish a method for collecting sales taxes which complies with Florida DOR guidelines, serves the needs of patrons who use the facilities, and is manageable for employees who collect the fees.  
**(See Area for Improvement #1 on page 5.)**
- The lifeguards, who are responsible for collecting cash at the offsite pools, were not assigned individual cash register login codes. Additionally, the lifeguards were not required to provide receipts to customers, and did not consistently complete all of the supporting documentation for the daily collections (Cash Verification Sheets). The Management Team through its Management Action Plan will research options for obtaining individual register codes for each employee, will develop a policy requiring that receipts be provided to customers on all transactions, and will provide additional training to staff to ensure all documentation is complete.  
**(See Area for Improvement #2 on page 5.)**
- We identified several instances where the segregation of duties could be improved over certain processes. This included depositing and reconciling the funds collected for offsite pool revenue; depositing and reconciling the funds collected for G.T. Bray Recreation Center revenue; and authorizing refunds in the RecTrac system. The Management Team through its Management Action Plan will evaluate the processes in order to reassign responsibilities and/or implement compensating controls.  
**(See Area for Improvement #3 on page 6.)**
- Although no significant errors were noted in our testing of athletic league field rentals, the process used by Athletics to bill the rentals is labor intensive and more efficient methods are available. The Management Team through its Management Action Plan has begun implementing changes to the process and plans to have an amended billing process in place by the Fall 2017 athletic season.  
**(See Area for Improvement #4 on page 7.)**

Other minor audit findings, not included in this report, have been communicated to management and/or corrected during the audit.

We would like to thank Parks and Natural Resources management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and in seeking solutions to these matters.

**AUDIT REPORT AUTHORIZATION:**

This audit report has been reviewed and authorized by:



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Lori Stephens, CPA, CFE  
Director of Internal Audit



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Angelina "Angel" Colonnese  
Clerk of the Circuit Court & Comptroller

**AREA FOR IMPROVEMENT #1 .....SALES TAX CALCULATION**

The Florida DOR requires that sales tax be calculated on each taxable transaction. Additionally, rather than rounding tax to the nearest penny, Florida sales tax must be calculated using a bracket system. The Florida DOR has rate tables available to assist with the calculation.

During the audit period, the Recreation Division did not collect sales taxes based on the Florida sales tax bracket system. In addition, rather than remitting sales tax to the Florida DOR based on the amount collected for each taxable transaction, the Division recalculated each day’s total sales taxes by multiplying the total taxable sales for the day by the sales tax rate. This created a variance between the amount of sales tax which had been collected for the day and the recalculated sales tax amount remitted to the state; the difference was recorded as a cash over/short for the day. While overall, the variances noted were small, averaging \$0.17 short per day, this method of collecting and remitting sales tax is not in compliance with Florida DOR sales tax rules.

RecTrac has an option to allow facilities to calculate taxes in accordance with Florida DOR sales tax rules. However, when this option is selected, RecTrac does not allow the Division to charge fees that will always round to the nearest dollar when taxes are included. This would affect some of the flat daily fees which are currently being charged and are inclusive of sales tax. For example, G.T. Bray Recreation Center customers are charged \$3.00 for a daily guest pass, inclusive of sales tax. The Division has chosen to charge the flat fees in order to avoid making change, thereby improving the efficiency of its cashiers, and as a convenience to customers.

Management Action Plan

The Recreation Division will continue to work towards utilizing the Florida DOR sales tax brackets for all transactions. Employees of the Division will collaborate to implement a solution that complies with the sales tax brackets, best serves the patrons of the recreation facilities, and is manageable for the employees who collect the fees.

The expected implementation date is September 30, 2017.

**AREA FOR IMPROVEMENT #2 .....OFFSITE POOL CASH CONTROLS**

User fees are collected at the two offsite pools: the John H. Marble Pool and the Willie J. “Bro” Clemons, Jr. Pool. Lifeguards collect fees from the customers and record the transactions in cash registers. These registers are not connected to RecTrac, due to limited or no internet connectivity at the pool sites. At the end of each day, the lifeguards count the cash collected and reconcile the totals to the cash register tapes; the reconciliations are documented on Cash Verification Sheets. The cash and supporting documentation is then stored in a locked safe. Approximately every 2-3 days, an Aquatics Supervisor picks up the cash and documentation and takes it to the G.T. Bray Recreation Center where the deposits are prepared.

Through interviews of Aquatics staff, review of documented procedures, observation of cash collections at the offsite pools, and testing of deposit documentation, we noted no evidence of missing funds; however, we did identify the following internal control weaknesses:

- The lifeguards who collect cash at the offsite pools are not assigned individual cash register login codes. Rather, the lifeguards are instructed to log into the cash registers under one of four generic positions each day: Clerk 1, Clerk 2, Clerk 3, or Clerk 4. As a result, Aquatics cannot always track who entered each transaction during the day.
- Cash register receipts are only offered to customers upon request. Providing receipts to all customers helps ensure that all transactions are processed through the cash register at the correct rate.
- Lifeguards did not complete the Cash Verification Sheets consistently. We tested deposits covering 28 days at each pool (56 days total) and noted that the Cash Verification Sheet was not completed for 5 out of 56 days (9%); the Cash Verification Sheet or supporting documentation was not signed by two lifeguards as required by Aquatics management for 12 out of 56 days (21%); and the register tape was unavailable, or did not include a grand total, for 5 out of 53 days (9%). (The register tape was unavailable for an additional 3 days due to cash register malfunctions, but these were not considered exceptions.)

Management Action Plan

Aquatics management will review the cash register manuals to determine whether the registers can accommodate individual login codes for the lifeguards. Aquatics will also attempt to install RecTrac at the offsite pools and receipts will be provided to every guest. Additionally, instructions for completing the Cash Verification Sheets will be documented and reviewed with each staff member before they begin employment for the upcoming season, as well as at in-service trainings, as needed.

The expected implementation date is September 30, 2017.

**AREA FOR IMPROVEMENT #3 ..... SEGREGATION OF DUTIES**

We analyzed the segregation of duties involved in the processing cash transactions at the County’s two offsite pools and the G.T. Bray Recreation Center. Proper segregation of duties helps reduce the risk of fraud and error by involving multiple employees in the revenue process. Ideally, the duties of custody, accounting, and authorization should not be performed by the same person. When this is not practical, compensating controls should be implemented.

Through our testing and analysis, we found no evidence of any missing funds; however, we noted three processes where it does not appear that an adequate segregation of duties exists. In two of these processes, one employee was responsible for preparing the bank deposits (custody) and reconciling the funds collected (accounting). This included the processing of offsite pool deposits by Aquatics management, and the processing of funds collected at the G.T. Bray Recreation Center by the Facility Operations Manager. We also noted that the Facility Operations Manager has access to funds collected at the G.T. Bray Recreation Center (custody) and the ability to process refunds in RecTrac (authorization).

Management Action Plan

Deposits of funds collected at the offsite pools will continue to be prepared by Aquatics management. However, documentation supporting the amount

collected will be forwarded to the Facility Operations Manager to be reconciled against the IFAS revenue posting.

The expected implementation date is May 31, 2017.

The Facility Operations Manager will continue to prepare the deposit of funds collected at the G.T. Bray Recreation Center, will reconcile the deposit to supporting RecTrac reports, and will have authorization to process refunds within RecTrac. As a compensating control, periodic reviews of deposits and refunds will be performed by either a member of the Fiscal Team or the Recreation Division Manager.

The expected implementation date is September 30, 2017.

**AREA FOR IMPROVEMENT #4 ..... FIELD RENTAL BILLING PROCESS EFFICIENCY**

Our audit also evaluated the process currently being used to process athletic field rental billings. While no significant errors were found in the accuracy of the billings, it does appear that changes could be made to improve the efficiency of the billing process.

Currently, Athletics bills athletic leagues for the rental of various playing fields which may, or may not, also include the use of lights. The usage is billed to the minute, which creates an incentive for leagues to turn the lights off once they are finished for the evening. Athletics is able to track the field light usage through Musco Lighting’s Control-Link System, a third-party system that turns the field lights on and off according to preset schedules and/or changes requested by phone.

Leagues are required to prepay the rental fees. The invoices are calculated by RecTrac once each league’s requested schedule has been input into RecTrac. The field lights are then programmed into Control-Link by exporting the schedules from RecTrac to Control Link.

At the end of each month, credits may be owed to leagues for field lights that were turned off earlier than scheduled, and for non-light reservations that were cancelled by Athletics due to inclement weather. Field light credits are calculated by importing Control-Link usage data into RecTrac; non-light credits are calculated manually by Athletics staff. Due to the risk of errors occurring during the RecTrac import process, which has occurred on several occasions, all calculations are also verified in Excel spreadsheets.

Based on our analysis, it appears that the field rental billing process, as described above, requires approximately 625 staff hours annually. In the event that the RecTrac import process fails, which occurred for four months during the audit period in early 2016, the entire process must be done manually, and would require approximately 800 staff hours annually. Opportunities to improve the efficiency of the process have been discussed with Athletics management and include, but are not limited to, collecting advance deposits and billing usage at the end of each month, and/or establishing a preset fee for the season for non-light usage.

**Management Action Plan**

Athletics staff will analyze the current field rental billing process and implement changes that meet the needs of both Athletics staff and the athletic leagues.

The expected implementation date is August 31, 2017.